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FM AMEMBASSY TEGUCIGALPA  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 6804  
INFO RUESGT/AMEMBASSY GUATEMALA 9143  
RUESJO/AMEMBASSY SAN JOSE 7038  
RUESMG/AMEMBASSY MANAGUA 3757  
RUEHJP/AMEMBASSY PANAMA 5968  
RUESAL/AMEMBASSY SAN SALVADOR 7863  
RUESBG/AMEMBASSY BOGOTA 1018  
RUESRS/AMEMBASSY CARACAS 668  
RUEHME/AMEMBASSY MEXICO 491  
RUEHOT/AMEMBASSY OTTAWA 49

BT

C O N F I D E N T I A L

LIMITED OFFICIAL USE TEGUCIGALPA 1516

E.O. 12065: N/A

TAGS: ETRD, EFIN, EINV, EAID, HO, XK, XL

SUBJ: PRESIDENTIAL ANNOUNCEMENT OF THE CARIBBEAN BASIN INITIATIVE

REFS: (A) TEGU 1432; (B) STATE 45824

1. SUMMARY: AMBASSADOR BRIEF HONDURAN PRIVATE SECTOR  
LEADERS ON CARIBBEAN BASIN INITIATIVE IN ADVANCE OF PRESIDENT  
REAGAN'S SPEECH BEFORE OAS. REACTION UNIFORMLY POSITIVE.  
DURINGG HOUR LONG SESSION, BUSINESSMEN DISCUSSED KEY POINTS

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State Dept. review completed

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OF INITIATIVE AS OUTLINED IN EMBASSY TALKING POINTS PAPER. GROUP COLLECTIVELY EXPRESSED HOPE THAT THEIR OWN GOVERNMENT WOULD FOLLOW WITH A PROGRAM OF SIMILAR DIRECTION, NOTING THAT IN FINAL ANALYSIS HONDURAN'S THEMSELVES MUST TAKE INITIATIVE TO FORTIFY THEIR OWN ECONOMY. END SUMMARY.

2. AMBASSADOR INVITED HONDURAN PRIVATE SECTOR LEADERS TO EMBASSY FEB. 24 FOR BRIEFING ON CARIBBEAN BASIN INITIATIVE IN ADVANCE OF PRESIDENT REAGAN'S SPEECH BEFORE OAS. INVITEES WERE FERNANDO LARDIZABAL, PRESIDENT OF PRIVATE SECTOR UMBRELLA ORGANIZATION COHEP (CORPORACION HONDURENA DE LA EMPRESA PRIVADA); ADOLFO FACUSSE, PRESIDENT OF ANDI (ASOCIACION NACIONAL DE INDUSTRIALES); EMILIO LARACH, PRESIDENT OF CHAMBER OF COMMERCE, TEGUCIGALPA; MARIO BELOT, PRESIDENT OF CHAMBER OF COMMERCE, SAN PEDRO SULA. ACCOMPANYING MR. BELOT WAS HIS CHAMBER'S VICE-PRESIDENT ING. EMIN ABUFELE.

3. REACTION TO PRESIDENT'S INITIATIVE IS UNIFORMLY POSITIVE. A SAMPLE OF COMMENTS:

- EXACTLY THE PROGRAM WE NEED. FULL OF EXCELLENT IDEAS. (BELOT)
- MAGNIFICENT IDEAS, A PROGRAM WORTH MORE THAN A BILLION DOLLARS OF GOVERNMENT AID. (LARACH)
- A PLAN THAT WILL SUPPORT HONDURANS WHO WANT TO HELP THEMSELVES. (LARACH)
- POSITIVE IDEAS, CORRECTLY DIRECTED. (FACUSSE)
- A MODEL PROGRAM IN SUPPORT OF FREE ENTERPRISE. (LARDIZABAL)
- AN INITIATIVE THAT SHOULD SERVE TO UNDERLINE IMPORTANCE OF CENTRAL AMERICA TO U.S. AND OVERCOME UNCERTAINTY IN THE REGION. (LARDIZABAL)

4. AMBASSADOR'S BRIEFING ELICITED SEVERAL REQUESTS FOR CLARIFICATIONS AND COMMENTS. THESE SERVED TO FOCUS ON AREAS OF PROGRAM MOST APPEALING TO HONDURANS. AMBASSADOR AND ATTENDING EMBASSY OFFICERS USED REFTEL (A) TO ELABORATE ISSUES RAISED. EMBASSY REQUESTS CLARIFICATIONS OF POINTS NOT COVERED IN REFTEL (AS NOTED). KEY ISSUES ARE:

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-- IS PROPOSED DUTY FREE TREATMENT TRULY INTENDED TO COVER 100 PERCENT OF PRODUCTS EXPORTED FROM HONDURAS, EXCEPTING TEXTILES AND SUGAR?

(RESPONSE: PER REFTEL YES); EMBASSY REQUESTS CONFIRMATION.

-- ARE GOODS PASSING THROUGH CENTRAL AMERICA ELIGIBLE FOR DUTY FREE TREATMENT OR ONLY PRODUCTS?

(RESPONSE: GSP RULES OF ORIGIN APPLY, PROPOSAL TO SEEK REDUCTION FROM 35 TO 25 PERCENT).

-- WHAT TIME FRAME ENVISIONED FOR ENACTMENT OF PROGRAM?

(RESPONSE: SUBMISSION TO CONGRESS NEXT WEEK; UNABLE TO PREDICT CONGRESSIONAL SCHEDULE); EMBASSY REQUESTS UPDATE.

-- HOW DOES INVESTMENT TAX CREDIT SCHEME WORK?

(RESPONSE: EXPLANATION GIVEN OF PRESENT DOMESTIC U.S. INVESTMENT TAX CREDIT, PER REFTEL).

-- IS U.S. PROPOSAL BEING COORDINATED WITH OTHERS IN NASSAU FOUR?

(RESPONSE: THIS IS U.S. PROPOSAL); EMBASSY WOULD APPRECIATE SUMMARY OF OTHERS' PLANS TO DATE.

-- INITIATIVE FOCUSES ON LONG TERM, WHAT OF THE QUOTE EMERGENCY UNQUOTE NOW FACING CENTRAL AMERICA?

(RESPONSE: PROGRAM INCLUDES SUPPLEMENTAL FY 82 AID AND ELEMENTS THAT SHOULD REAP BENEFITS IN MEDIUM TERMS AS WELL AS LONG).

5. IN REGARD TO FINAL POINT IN PARA 4, A SUMMARY OF DUTIES PAID BY HONDURAN EXPORTERS IN RECENT YEARS WOULD BE VERY USEFUL TO SHOW THE IMMEDIATE IMPACT OF 100 PERCENT DUTY FREE TREATMENT. ALSO, THERE IS SOME CONFUSION OVER TREATMENT OF SUGAR. A COMPARISON OF DUTIES PRESENTLY PAID, INCLUDING THOSE FEES RELATED TO 1981 PRICE SUPPORT PROGRAM, AND AMOUNTS THAT WOULD BE OWED UNDER 100 PERCENT DUTY FREE TREATMENT WOULD BE EXTREMELY USEFUL. ESF FIGURES FOR HONDURAS WILL UNDOUBTEDLY FALL SHORT OF SOME EXPECTATIONS, IT WILL BE TO OUR ADVANTAGE TO HAVE READY THE DOLLAR VALUE OF TARIFF CONCESSION INCLUDED IN THE CBI IN ORDER TO STRENGTHEN THE IMAGE OF THE PRESIDENT'S PROGRAM.

NEGROPONTE

END OF MESSAGE

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